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**FISCAL IMPACT STATEMENT**

**LS 6837**

**BILL NUMBER:** HB 1305

**NOTE PREPARED:** Jan 7, 2009

**BILL AMENDED:**

**SUBJECT:** Renewable Energy.

**FIRST AUTHOR:** Rep. Grubb

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the Indiana Utility Regulatory Commission (IURC) to consider in the rate base of a public utility that complies with certain renewable energy standards (RES) any capital expenditures made by the public utility to extend gas or electric service to a customer that produces biofuels. It requires the IURC to provide certain financial incentives for implementing electric line facilities projects to electricity suppliers that comply with a certain RES. It requires electricity suppliers to comply with an RES by specified dates. It also provides that an electricity supplier that does not comply with a higher RES is not eligible for certain financial incentives related to renewable energy development.

**Effective Date:** Upon passage; July 1, 2009.

**Explanation of State Expenditures:** *IURC:* This bill will increase the administrative expenditures of the IURC. The amount of the increase is indeterminable and will depend on administrative decisions made by the IURC in implementing the renewable energy standards in this bill. The bill will also require the IURC to amend rules and procedures related to consideration of public utility rate adjustments for capital expenditures.

Any increase in expenditures could be offset to the extent that the IURC imposes a reasonable monetary penalty on an electricity supplier for noncompliance with the RES established in the bill.

*IEDC:* This bill will increase the administrative expenditures of the IEDC. The bill provides that the IEDC, in consultation with the IURC, will develop a strategy to attract renewable energy manufacturing and assembly facilities to Indiana. The current level of resources available to the agency should be sufficient to implement these provisions.

*State & Local Utility Expenditures:* This bill could increase expenditures by state agencies and local units for utilities to the extent that the provisions allowing for cost recovery would increase utility rates. The overall impact on expenditures is indeterminable.

**Explanation of State Revenues:** It is estimated that public utility rates could increase under the bill due to the provisions in the bill allowing for reasonable and necessary cost recovery. To the extent that utility rates are affected by the provisions in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

*Taxes:* The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

This bill applies to public utilities as defined in IC 8-1-2-1. The terms does not include municipally owned utilities.

**Background Information-** This bill establishes an incentive program to allow a public utility that complies with certain renewable energy standards to recover costs associated with any capital expenditures made by the public utility.

In order to qualify for a financial incentive, an electricity supplier must supply electricity that is generated from renewable energy resources to Indiana customers as a percentage of the total electricity supplied by the electricity supplier to Indiana customers during a calendar year. The bill provides that an electricity supplier who elects to comply with *Schedule 1* is eligible for financial incentives:

*Schedule 1 -*

- (1) Not later than the CY ending December 31, 2010, at least 3%.
- (2) Not later than the CY ending December 31, 2015, at least 6%.
- (3) Not later than the CY ending December 31, 2020, at least 10%.
- (4) Not later than the CY ending December 31, 2025, at least 15%.

If the electricity supplier fails to comply with *Schedule 1*, the electricity supplier is no longer eligible for financial incentives and must comply with the schedule set forth in *Schedule 2* beginning in the compliance year in which the electricity supplier failed to comply with the schedule set forth in *Schedule 1*. The IURC would impose a reasonable monetary penalty on the electricity supplier for noncompliance with this provision.

*Schedule 2 -*

- (1) Not later than the CY ending December 31, 2010, at least 1.5%.
- (2) Not later than the CY ending December 31, 2015, at least 4%.
- (3) Not later than the CY ending December 31, 2020, at least 7%.
- (4) Not later than the CY ending December 31, 2025, at least 10%.

If an electricity supplier exceeds the applicable percentage in a compliance year, the electricity supplier may carry forward the amount of electricity that exceeds the applicable percentage and is generated from renewable energy resources in an Indiana facility to comply with the requirement in either or both of the two immediately

succeeding compliance years.

The bill provides that the IURC may not approve a financial incentive for a particular electricity supplier if the IURC has approved a financial incentive in the preceding 12 months for that electricity supplier, unless the IURC determines that approving a particular financial incentive on a more timely basis will benefit the electricity supplier's ratepayers.

As used in this bill, renewable energy resource means any of the following: methane systems that convert waste products including animal, food, and plant waste into electricity; methane recovered from landfills; wind, solar photovoltaic cells and panels; clean coal and energy projects (as defined in IC 8-1-8.8-2); dedicated crops grown for energy production; and energy from waste to energy facilities producing steam not used for the production of electricity.

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:** See *Explanation of State Revenues*.

**State Agencies Affected:** IURC, IEDC; All

**Local Agencies Affected:** All.

**Information Sources:**

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